

**Headquarters, U.S. Army Training And Doctrine
Command (TRADOC)**

Cost Management Activity Based Costing Implementation Plan for Base Support



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Deputy Chief of Staff for Resource Management

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I. Purpose

The purpose of this plan is to establish direction for the implementation of cost management (CM)/activity based costing (ABC) in the Army's base support business area.

TRADOC's purpose for Cost Management is to:

Institutionalize cost management in business areas throughout the TRADOC, using ABC where appropriate, to drive continuous cost reduction and productivity improvement.

This TRADOC CM/ABC plan will:

- Establish the framework for TRADOC installation support activities to develop their detailed CM implementation plans.
- Develop this CM approach to supplement and refocus current base support business area management approaches.
- Identify roles and responsibilities for CM/ABC implementation.
- Establish the baseline required for submitting quarterly CM progress reports to TRADOC.

II. Base Support Mission Statement

Base Support mission is to:

Provide, or ensure the availability of, efficient, effective base services and facilities to the Army's units, activities, other tenants, soldiers and their families, civilian employees, retirees and other authorized users.

The Army's core missions require it to prepare and sustain land forces necessary for the effective prosecution of war. The mission for the base support business area requires commanders to obtain and maintain cost effective installation support services for core mission forces, other tenants, and the extended Army family of other authorized users.

III. Base Support CM/ABC End-State Vision

Base Support CM/ABC End-State Vision is:

ABC fully deployed, maintained and used for continuous process improvement at all installations in engineering, logistics, and morale, welfare and other functional areas as determined by local commanders.

The end-state vision for CM/ABC in the base support business area is to have all installations utilizing cost management to effectively manage resources and processes as determined by local commanders. In this end-state:

- The installation information used at higher headquarters in Service Based Costing (SBC), Installation Status Report (ISR), and Standard Service Cost (SSC) is derived from the same data used by local managers for decision making if possible and if software is designed to allow installations to maintain integrity of activity manager information without compromising its utility at the installation level.
- Local managers are provided the necessary tools and information to support their efforts to make continuous process improvements and cost reductions. ABC is the preferred methodology.
- CM/ABC is used at the installation level for making resourcing and processing decisions. The ABC model data generated is for local-use only but can be used to feed systems collecting headquarters-level data. This must be facilitated by major command headquarters personnel.
- The key to successful implementation will be facilitating the ability for installation personnel to collect and enter data only once into a system (e.g., Standard Army Finance Information System (STANFINS) Defense Joint Accounting System (DJAS), Integrated Facilities Systems (IFS)) or an application (e.g., ISR, ABC) with automatic data reuse in other systems and applications.
- Supervisors and managers are evaluated based on their success in providing, maintaining, or obtaining efficient, effective services and facilities measured against other Army providers and locally-supported standards coordinated and negotiated with local unions, contractors and other service providers.

Where employed, ABC will be used by installations to collect cost, workload, and performance data and to attribute costs to a level of detail sufficient to give local managers desired management visibility of their day-to-day operations. ABC models can be attributed to produce

electronic reports to feed ISR, to support local management analyses and reports, and to support data collection for A-76 and other studies.

IV. Army Base Support Cost Management Strategic Goals and Objectives

TRADOC's Base Support Cost Management strategic goal is to:

Continuously improve the efficiency and effectiveness of service delivery at TRADOC installations and educate, train and institutionalize cost management at all levels within TRADOC using CM/ABC as the primary tool.

BOS's CM/ABC strategic goal parallels the Army's overall CM strategic goal and is to continuously improve the efficiency and effectiveness of service delivery at Army installations.

The Base Support's CM/ABC strategic objectives are to:

- Create a cost management culture within the base support business area that supports mission readiness.
- Fully integrate cost management into TRADOC headquarters and installations. At the local level, implement ABC key functional areas in the Logistic, Engineer Support, and Morale, Welfare and Recreation programs and in other base support functional areas.
- For installation management, supplement existing management systems by fully implementing CM/ABC as described in this plan by December 2002.
- Provide installation activity commanders with the cost and operational facts they need to benchmark against other installations and to allocate resources.
- Provide operating managers better information on costs attributed to their key activities, products, services, and customers to better support pricing decisions, customer support arrangements, reimbursable policies, and operational decisions.
- Make informed competitive sourcing decisions, with the highest possible return on investment.
- Update and incorporate, as appropriate, CM/ABC training material into courses for installation commanders and managers.

V. Base Support CM/ABC Implementation Plan Goals and Objectives

The specific goals and objectives addressed by this implementation plan are intended to achieve the strategic goal and objectives for the Base Support CM/ABC. The following are the implementation plan goals for the base support business area:

Installation Implementation Goal

Refocus the installation budget-based management perspective to a CM/ABC-based management perspective and deploy ABC at all installations in designated base support functional areas with local commanders and managers actively using and updating ABC to evaluate and make resourcing and process improvement decisions by December 2002.

Program objectives for this implementation plan include:

- TRADOC will have at least one operational model at Ft Rucker, Ft Jackson and Ft Knox by December 2000.
- United States Army Cost and Economic Analysis Center will assist by providing necessary software and training.
- TRADOC will complete ABC/M deployment to all installations in base support functional areas by December 2002.

VI. Concept of Operations

IN TRADOC, Fort Huachuca is using CM/ABC to identify and analyze costs, cost structures, customers, etc., for the purpose of increasing efficiency and effectiveness in providing base support services. Fort Huachuca, as the prototype for CM/ABC in the base support business area for TRADOC, will serve as the model, source of information and provide experience and advice to the rest of TRADOC installations in developing and implementing CM/ABC methodologies for application in the base support business area. CM/ABC will be linked by CEAC / ACSIM through a common definition applied to each SBC service. At the local level, installation activity commanders will apply ABC to their services in engineering, logistics, and morale, welfare and recreation. All remaining base support services will follow.

This section will first present the concept of operations for the deployment and use of Oros ABCPlus at installations. The implementation of Oros ABCPlus can be divided into three phases:

1. Plan and Train
2. Initial Deployment

3. Full Implementation

A. General

US Army Cost and Economic Analysis Center (USACEAC) will purchase and sustain Oros ABCPlus software from ABC Technologies, Inc. and will provide initial training in CM/ABC and the use of Oros ABCPlus for all activities required to employ ABC. They have negotiated with ABC Technologies, Inc. to provide the core Oros ABCPlus software, including an enhancement package, for operation on an installation's local area network (LAN) with an appropriate number of seats and, if required, a remote package to support installation sites located greater than three miles from the parent location. The core software provides all of the capability an installation requires to build their models, electronically input data provided from legacy systems (e.g., Standard Army Finance Information System (STANFINS) Defense Joint Accounting System (DJAS), Integrated Facilities Systems (IFS, etc.), and electronically generate reports for use by other systems or by local management. The enhancement package extends the Activity Based Management (ABM) capability of the core software to support current commercial management initiatives such as the balanced scorecard. USACEAC will also negotiate for dedicated support to the Army for ABC Technologies, Inc. help desk support and for software sustainment as the software is upgraded. In addition, USACEAC will also provide Army customers with the ability to order, at their own expense, supplemental training and on-site technical support.

Installations will need relatively few "seats" for the software. These should be limited to the number of people requiring consistent recurring access to the model. Reports will be designed to provide most analysts and managers with the reports they need to accomplish their work. For installations that have already purchased the software, USACEAC will fund their software sustainment costs at the same level provided other Army activities.

B. Phase 1: Plan and Train

The first year of CM/ABC implementation will focus on developing implementation plans fielding models at Fort Rucker, Fort Jackson, and Fort Knox, and preparing base support business area staff and managers to employ CM/ABC methods. TRADOC has identified installations for training. This will be further developed as more installations come on line.

Develop Implementation Plans

The TRADOC implementation schedule is at Appendix A.

Conduct Training

TRADOC has established a training schedule to meet the implementation goals. See details at Appendix B

Evaluate Progress

Office of the Secretary of Defense (OSD) requires the Army to provide quarterly progress reports in implementing CM/ABC. TRADOC will report data as of the end of each fiscal quarter and update the website NLT the 15th of the month following the end of the quarter once the web site has been developed and tested. The information maintained on the website will be cumulative for each quarter and will display ABC program status by quarter from the current program (as of 30 June 2000) through 31 December 2004. HQDA will use the data from the website to submit information to OSD for the base support quarterly progress report.

C. Phase 2: Initial Deployment

Develop/Identify Prototype ABC Models

Fort Huachuca is designated as the TRADOC prototype site. Validated ABC models developed from there will be used to assist all other installations beginning with Forts Knox, Jackson, and Rucker.

Develop Electronic Data Links

One of the envisioned capabilities from CM/ABC is that installation personnel will collect and enter data once into a system (e.g., STANFINS, DJAS, IFS) or an application (e.g., ISR, ABC) with automatic data reuse in other systems and applications.

TRADOC will depend on USACEAC to assist any installation encountering problems pulling electronic data from legacy systems (e.g., STANFINS, DJAS, IFS, etc.) for use in the Oros ABCPlus software.

USACEAC will also provide assistance in designing electronic reports in Oros ABCPlus for configuring pacing measure data for use in SBC and ISR.

Installations are not required to establish these electronic linkages but using them may save significant effort.

D. Phase 3: Fully Deploy ABC

Target date for full deployment is December 2002.

E. Implementation Schedule

By the end of December 2002, all ABC deployments in the designated functional areas will be completed, and ABC will be regularly used and maintained to manage costs and continually improve processes in those functional areas.

VII. Roles and Responsibilities

Staff and managers at all levels in TRADOC will encourage the use of CM/ABC and, as far as possible, derive the information they require from base support activities from the CM/ABC data used by local commanders and managers.

A. TRADOC

Develop and execute an implementation plan for executing CM/ABC at TRADOC installations.

Identify and prioritize high payoff targets for CM/ABC implementation.

Advise and assist installations in developing and attributing CM/ABC models and ensuring compatibility with SBC and ISR inputs.

Monitor and report on achievement of CM/ABC milestones.

Program and budget for local CM/ABC efforts.

Assist installations with scheduling CM/ABC training for base support managers and staff.

See Appendix C for HQ TRADOC POC's.

B. Installation Commanders

Resource and use ABC as a management and decision making tool to establish and sustain continuous process improvement in the designated functional areas and extend to other functional areas where appropriate.

Use cost management and establish cost management goals.

Hold base support activity managers accountable for progress in identifying and implementing process improvements that drive their activity towards assigned cost management objectives.

Ensure base support managers and staff receive ABC/CM training.

C. Base Support Activity Managers

Create a work environment conducive to cost management and continuous process improvement.

Use available CM/ABC systems and information to benchmark, identify, and implement process improvements.

Ensure data and information provided to and used in CM/ABC systems are accurate.

Appendix A

**ABC Implementation Schedule
and
Software Requirements For FY 00**

IMPLEMENTATION SCHEDULE

| <u>FY 00</u> | <u>FY 01</u> | <u>FY 02</u> |
|---------------------|---------------------|---------------------|
| Rucker | Carlisle Barracks | Leavenworth |
| Jackson | Lee | POM-DLI |
| Knox | Leonard Wood | Sill |
| | Bliss | Gordon |
| | Monroe | Eustis |
| | | Benning |

INITIAL SOFTWARE REQUIREMENTS

FY 00

| | | | |
|----------------|-----------------|----------------|---------------|
| Rucker | MWR (3)* | DOL (3) | DEH(3) |
| Jackson | DOL (3) | MWR(3) | DEH(3) |
| Knox | DOL (3) | DEH (3) | MWR(3) |

*denotes number of seats on LAN software

Appendix B**Training****Cost / Performance Measurement-5 day course**

| Installation | Aug-00 | Sep-00 | Oct-00 | Nov-00 |
|---------------------|-------------------------------|----------------|---------------|---------------|
| DCSRM | | | (1) Oct 16-20 | (1) Nov 13-17 |
| DCSBOS | (2) Aug 7-11 (2) Aug 21-25 | (2) Sept 11-15 | (2) Oct 16-20 | (1) Nov 13-17 |
| Rucker | Aug (8) | (4) Sept11-15 | (2) Oct 16-20 | |
| Knox | (2) Aug 7-11 | (2) Sept 11-15 | (2) Oct 16-20 | (2) Nov 13-17 |
| Jackson | | | (5) 16-20 Oct | (3) Nov 13-17 |

ABC Training Schedule-Enterprise Building -3 day course

| Installation | Jun-00 | Jul-00 | Aug-00 | Sep-00 | Oct-00 | Nov-00 |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| DCSRM | | | 2 | | 1 | 1 |
| DCSBOS | | | 2 | 1 | 1 | 1 |
| Rucker | | | 2 | | | 1 |
| Knox | | 2 | 2 | | | |

ABC Training Schedule-Executive Level-2 day course

| Installation | Jul-00 | Aug-00 |
|---------------------|---------------|---------------|
| DCSRM | 5 | |
| DCSBOS | | 8 |
| Rucker | 10 | |
| Knox | | 16 |

Appendix C

Points Of Contact

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